

Alexandria Waterfront Draft Small Area Plan

About this Document

The *Alexandria Waterfront Draft Small Area Plan* was released to the public on February 25, 2011. The document noted that additional material would be forthcoming prior to the Planning Commission public hearing on April 5, 2011. These supplementary materials include:

- Estimates of the costs of the recommended public improvements in the Plan, and estimates of the potential revenue generated by proposed redevelopment, along with information about the potential phasing of improvements and redevelopment
- Additional discussion of the reasons hotels should be added to the land uses permitted by the W-1 zone (for the three redevelopment sites only). This discussion has also been integrated into the material addressing costs and revenues.
- A proposal for a significantly smaller Waterfront Park building.

Summary

The enclosed materials document in greater detail the following points:

- The Plan balances costs and revenues: Proposed redevelopment can pay for the planned park and public space improvements in about 15 years.
- Using conservative assumptions, proposed redevelopment could generate about \$4.7 million per year in net new tax revenues.
- The park and public space improvements recommended in the Plan would cost up to \$39 million while flood mitigation would cost \$6.5 million. Even including flood mitigation, the Plan can “pay for itself” within 20 years.
- Implementation of flood mitigation begins in the earliest phase of the Plan, with the elements to address the most frequent flooding at King Street, the Strand, and Union Street, addressed first.
- Once public improvements are made, proposed redevelopment will continue to generate revenues that the City can use to maintain the new improvements and to improve maintenance on existing parks.
- Hotels are a major reason why the Plan can pay for itself. On average, a square foot of hotel space generates six times the tax revenue of a square foot of housing.
- The Plan does not *require* hotels, but it recommends *permitting* hotels, and *encouraging* hotels in locations that welcome the public. The types of hotels envisioned for the Waterfront are similar to the Hotel Monaco and Lorien Hotel and Spa on King Street.

These hotels are good neighbors and do not create traffic congestion or other undesirable off-site impacts.

- City staff is now proposing a Waterfront Park building that is one-third the size of the proposal in the *Alexandria Waterfront Draft Small Area Plan*.
- The new building concept extends far less (by 35 feet) into the existing Waterfront Park than the previous design.

Including Hotels in the Waterfront Redevelopment Options

- The Waterfront Plan shows redevelopment taking place on just three sites: Robinson Terminal North, Robinson Terminal South, and the Cummings/Turner properties in the 200 block of South Union Street. These properties are already zoned for redevelopment that can include restaurants, retail, offices, housing and more.
- The redevelopment sites have had the current zoning since 1992 and have not redeveloped. Redevelopment is key to opening access to the river to the public and to financing desired improvements to parks and public spaces. The sites will be expensive to redevelop, in part because of their waterfront location and in part because of the high level of quality that is desired.
- The Waterfront Plan's redevelopment strategy is to add guidance so that redevelopment provides the maximum benefit to the City – through direct improvements to the Waterfront and through ongoing financial (tax) support – while ensuring compatibility with our historic identity and our existing neighborhoods.
- The Waterfront Plan allows a mix of uses, and a likely redevelopment scenario would see the predominant uses as residential and hotel, with about the same square footage for both (42% and 45% respectively), with about 13% other uses, including restaurant, retail, and cultural.
- The Waterfront Plan does not increase the potential for restaurants on any of the three sites. (The Waterfront Plan recommends exploring restoration of the Beachcomber as a restaurant if financially feasible, and recommends a restaurant along Waterfront Park to pay for relocating a parking lot and to link King Street with the Strand).
- Museums and cultural institutions can be built on the redevelopment sites today, and the Waterfront Plan would not change that. Establishing a world-class museum on one of the redevelopment sites has some issues, however.
 - Major museums are expensive to establish and to operate. A major museum could cost as much as \$50 million to build and would also require ongoing financial support.
 - To be successful, a major museum would have to attract at least 100,000 visitors a year, and many of these visitors would arrive by motorcoach.
- The Waterfront Plan does not *require* hotels. The Plan would *permit* hotels, and through design guidelines *encourage* hotels in locations where the public should feel welcome.

- The mixed use redevelopment scenario includes 625 hotel rooms spread over the three sites: 250 at Robinson Terminal South, 200 at Robinson North, and 175 in the Cummings/Turner block.
 - The actual number of hotel rooms constructed will depend on many factors, including market conditions, developer interest, and public participation in the development review process.
 - If built, the hotels could yield fewer rooms than anticipated or involve smaller hotels.
 - To help illustrate a potential hotel: a 250-room hotel on Robinson Terminal South could be similar to the Hotel Monaco near Market Square. The Hotel Monaco is a good neighbor: while there is cab activity at the entrance – since many hotel guests arrive and depart by cab or multi-passenger shuttle – King Street is not congested; hotel activity does not congest the nearby sidewalks; the hotel is quiet; and the hotel appears to accommodate the parking demand it generates.
- Hotel uses have reduced impacts on traffic and parking. Hotels generate fewer trips than many other non-residential uses (such as office and retail) and these trips are spread out over the day, rather than concentrated during rush hours. Hotels also demand fewer parking spaces, as a large share of guests arrive by means other than driving a car that needs to be parked.
- If 625 hotel rooms are built, it would increase the supply of hotels in eastern Alexandria by 22 percent. Although there are 2,780 hotel rooms in Alexandria east of the Metro rail lines (including Carlyle and Eisenhower East), there are no hotels directly on the water and one hotel within two blocks of the Potomac River. The recent hotel market study by W-ZHA shows that there is sufficient market to sustain existing and planned hotels in the area.
- The hotel rooms, if any, will not be built all at once, or in the same location. There is a 6-block distance between Robinson North and Robinson South, and Robinson North is likely to move to redevelop much earlier than Robinson South.
- All redevelopment sites will have to go through the DSUP process for approval, so there will be opportunities for the public to shape specific development proposals.
- An option raised has been for the City to purchase the Robinson Terminal sites and create parks on those sites. The assessed value of the Robinson Terminal sites is \$30 million. To actually acquire these parcels for a park, the City would likely have to offer the current owners full redevelopment value which would be much more than that. In addition, these sites would require at least \$8-10 million each to create a park, and the loss of the tax revenue from these sites would mean that City would have to look elsewhere for the funds to improve and maintain the Waterfront in future years.

Attachment 1: The Alexandria Hotel Market

Figure 1: East Alexandria Hotels and Potential Future Sites



The current hotel market, identified in the W-ZHA Hotel Technical Memorandum as “East Alexandria” (see Figure 1, above) consists of the lodging submarket comprising the following fourteen properties located in or near Old Town:

Embassy Suites, Hampton Inn, Hilton Inn, Lorien Hotel and Spa, Hotel Monaco, Morrison House, Residence Inn, Crowne Plaza, Holiday Inn & Suites, Sheraton Suites, Westin, Residence Inn Carlyle, Holiday Inn, and Courtyard by Marriot.

Table 2: East Alexandria Hotels

<i>Name of Establishment</i>	<i>Rooms</i>
<i>Hampton Inn Alexandria Old Town King St</i>	<i>80</i>
<i>Hilton Alexandria Old Town</i>	<i>246</i>
<i>Holiday Inn & Suites Historic District</i>	<i>178</i>
<i>Residence Inn Alexandria Old Town</i>	<i>240</i>
<i>Kimpton Lorien Hotel & Spa</i>	<i>107</i>
<i>Residence Inn Alexandria @ Carlyle</i>	<i>181</i>
<i>Westin Alexandria Hotel</i>	<i>319</i>
<i>Crowne Plaza Old Town Alexandria</i>	<i>254</i>
<i>Kimpton Hotel Monaco Alexandria</i>	<i>241</i>
<i>Holiday Inn Alexandria SW Eisenhower Ave</i>	<i>196</i>
<i>Courtyard Alexandria</i>	<i>178</i>
<i>Embassy Suites Alexandria Old Town</i>	<i>268</i>
<i>Sheraton Hotel Suites Old Town Alexandria</i>	<i>247</i>
<i>Kimpton Morrison House</i>	<i>45</i>
<i>Total</i>	<i>2780</i>

This submarket currently totals 2,780 rooms according to Smith Travel Research . These properties maintained an effective 2009 occupancy of just over 70%, which is considered healthy by industry standards. It is important to note that the only hotel included in the study and in close proximity to the waterfront is Crowne Plaza. Due to current zoning restrictions on land use, there is no opportunity to create high quality lodging along the Potomac River in Alexandria. The Plan and subsequent rezoning will allow access to this yet untapped and highly desirable feature of Old Town. Redevelopments identified the plan will be afforded a geographic premium unavailable to any other property in the City.

Waterfront Plan Costs, Revenues and Phasing

Waterfront Plan Costs

- The Waterfront Plan's recommended park, cultural, marine and shoreline improvements are estimated to cost up to \$39 million.
 - About \$8 million would be spent to create a new 1 acre riverfront park – what the Plan calls an expanded Point Lumley Park – on the site of an existing parking lot.
 - Another \$8 million would transform the foot of King Street and the Old Dominion Boat Club parking lot into Fitzgerald Square, linking King Street to the Strand and creating a new public pier extending into the Potomac River.
 - The Plan contains recommendations for the Torpedo Factory area, for the Thompsons Alley area connecting the marina and Founders Park, and for Oronoco Bay Park that are expected to cost approximately \$2.5 million for each area.
- Flood mitigation is estimated to cost \$6.5 million and includes elevating the foot of King Street and the Strand where flooding is most frequent, as well as integrating a low flood wall into the proposed park improvements between King Street and Duke Street.
- Over the past month, City staff extensively validated the cost estimates for Waterfront Plan with government and private industry experts. The analysis included comparisons to recent and current waterfront projects at National Harbor, Washington DC, and Arlington.
- Numerous figures were double-checked and some figures were adjusted, but only a few changes were substantial:
 - About \$4.7 million was added to the contingency fund and engineering cost estimates. In the interests of being conservative, City staff chose to increase the contingency fund from 15% to 30% of total cost and increase the expected design/engineering cost from 15% to 20%.
 - The proposed civic/cultural building rose in price from \$1.6 million to \$3.6 million. Smaller or less expensive buildings are possible, as is a developer-funded structure (the land is owned by Robinson Terminal); the new estimate shows the cost of high quality 10,000 square foot building.
 - Completing flood mitigation at the same time as other improvements provide some cost savings.
- To provide greater detail about phasing alternatives, City staff divided the Waterfront into 10 “phasing locations.” Public improvements that are logically completed at the same time were grouped into elements. The cost and relative timing of each element is estimated.
 - The timeframes for phasing are: 0-3 years, 4-6 years, and 7-15 years.
 - The phasing analysis anticipates that the initial flood mitigation work and the Point Lumley Park improvements would be completed in the first three years, the balance of flood mitigation and the Fitzgerald Square/Waterfront Park initiatives in years 4-6, and the balance of the recommended improvements in years 7-15. However, the timing of the phasing elements is very flexible and can respond to opportunities that

may occur. For example, if agreement is reached on the Old Dominion Boat Club parking lot issue, then the Fitzgerald Square and Waterfront Park initiatives could accelerate and Point Lumley Park initiatives could be scheduled later.

- The most frequent flooding, at the foot of King Street and nearby areas on Union Street and the Strand, would be addressed in the first phase. This would reduce flooding events from more than 150 per year to 10-15 per year. The floodwall, which provides additional protection to about the 10-year flood, would be started in the first phase and completed before the end of the second phase (by year 6).
- Public art and historic interpretation could occur in any phase, but will also be considered as part of any of the proposed improvements.
- Operating costs have been included in the cost/revenue calculation. The cost/revenue scenario contains an increase of \$1 million per year in operating costs over current levels by year 11. That figure would cover not only increased operating costs due to new facilities, but also an increased level of maintenance for existing parks, public spaces, and marina areas.
- The capital costs of the Plan include the purchase of a waterborne debris skimmer and the operating costs cover additional staff for its operation.

Waterfront Plan Revenues

- At buildout, a redevelopment scenario with a mix of housing, hotel, and restaurant/retail yields a net tax revenue of \$4.8 million. With a phased buildout over 15 years, cumulative tax revenues at the end of 15 years will total \$42 million.
- Cumulative revenues will exceed \$100 million by year 30.
- A redevelopment scenario that assumes that all redevelopment will be residential (with the exception of the Beachcomber and the Waterfront Park building) yields significantly lower revenues: \$1.4 million per year at buildout compared to \$4.8 million for the mixed redevelopment scenario.
- A redevelopment scenario that assumes the City will purchase the Robinson Terminal sites for open space would limit the potential tax revenues to two sources: redevelopment on the Cummings/Turner block and the Waterfront Park building. Net tax revenues would be about \$750,000 a year.
- On average, a hotel room yields about \$3,600 in net tax revenue annually while a housing unit of about twice the size yields \$1,200, despite the fact that a hotel room is about half the average size of an apartment or condo.
- City staff calculated potential revenues from a mix of new development on the three redevelopment sites: the Cummings/Turner block and Robinson Terminals North and South. The revenue scenario also includes a restaurant in a restored Beachcomber.
 - For analysis purposes, City staff used a development scenario that anticipates that half of both Robinson Terminals will develop as housing and half will develop as hotel. The scenario anticipates a mix of housing, office, retail and hotel on the Cummings/Turner block, with the majority of space being hotel.

- The development scenario used for revenue estimates includes 625 hotel rooms and 319 housing units; the scenario assumes housing units have twice the square footage as the average hotel room.
- Revenue estimates shared at the Planning Commission and City Council worksessions in early 2011 included a 33,000 square foot restaurant in Waterfront Park. City staff has recalculated new revenues using a much smaller restaurant of 11,000 square feet.
- The previous revenue estimates were based on a scenario that did not include redevelopment of the northern third of the Cummings/Turner block, including the buildings along Prince Street. The recalculated revenue estimates include redevelopment of those parcels.
- The mixed redevelopment scenario also anticipates that redevelopment will occur in three phases: 0-3 years, 4-6 years, and 7-15 years.
 - In years 0-3, anticipated redevelopment includes the Beachcomber, redevelopment of the Cummings warehouse at 220 South Union Street, and adaptive reuse of the historic buildings in that block.
 - In years 4-6, anticipated redevelopment includes Robinson Terminal North and the balance of the redevelopable properties in the Cummings/Turner block.
 - In years 7-15, the anticipated redevelopment is Robinson Terminal South.
- Anticipated revenues comes from the real property tax on new development; meals, sales and BPOL taxes on new restaurants; and transient lodging, sales and BPOL taxes on new hotels. All assumptions about market conditions –such as room rates, occupancy rates, and restaurant sales per square foot – are conservative.

Waterfront Plan Cost and Revenue Balance

The analysis of the financial impact of the Waterfront Plan is both simple but at the same time complex. Also, the variables are such that the analysis can only reasonably produce order of magnitude results, which is typical for land use related economic analyses of this kind. To answer the basic question: does the proposed Waterfront Plan pay for itself ? The answer even with using conservative and reasonable assumptions, and without counting the overall quality of life benefits for City residents and businesses, is clearly yes, even without counting secondary or indirect benefits to existing businesses, and the resultant new tax revenues to the City government from the increased business activity. In order to arrive at that conclusion, there are several levels of analysis to consider. The following analyses use conservative and reasonable assumptions about the future. To the degree the assumptions vary from these, future results will vary.

First, the basic building blocks of the analysis need to be reviewed (in 2011 dollars). Based upon a detailed recent re-review of the costs and revenues, the cost of the public amenities (parks, piers, shore-line improvements, the civic building, and other elements is projected at \$39 million (excluding the \$6.5million in stand-alone flood mitigation elements which would need to be done even if there was no Waterfront Plan), operating costs are projected at full build out to be \$1.0 million per year, and at full build out the annual new net tax revenues that are eventually

generated total \$4.8 million. The net new tax revenues are likely to occur without the flood mitigation elements being implemented. With the projected early phased-in implementation projections of the construction of the public amenity elements of the Waterfront Plan contrasted with the projected multi-year phase in of the private development contemplated by the Waterfront Plan, net new tax revenues and expenditures of public funds for the public improvements, results do not match on a year-to-year basis. This is because capital expenditures to implement the Waterfront Plan occur earlier than the growth of the net new tax revenues generated by the proposed Waterfront Plan. In the year 15 net new tax revenues from the private sector exceed the contemplated public expenditures, and continue to exceed that on an ongoing basis. By year 20 revenues are projected to exceed expenditures by \$3.0 million per year.

The second level of analysis, using the data above (i.e., again without the stand-alone flood mitigation elements), involves using the same expenditure and revenue data from the first analysis previously described, and applying economic factors such as expected inflation and the time value of money. This requires the taking of public costs of improvements in 2011 dollars, and the projected net new revenues in 2011 dollars, and inflating them to future dollars, and then discounting those numbers back to produce a net present value result. In effect it is a leveling of the playing field in taking dollars spent or received in different years and equalizing them back to today's dollars in regard to investment value. The result is labeled "Net Present Value" or "NPV". This is a common method of business financial analysis.

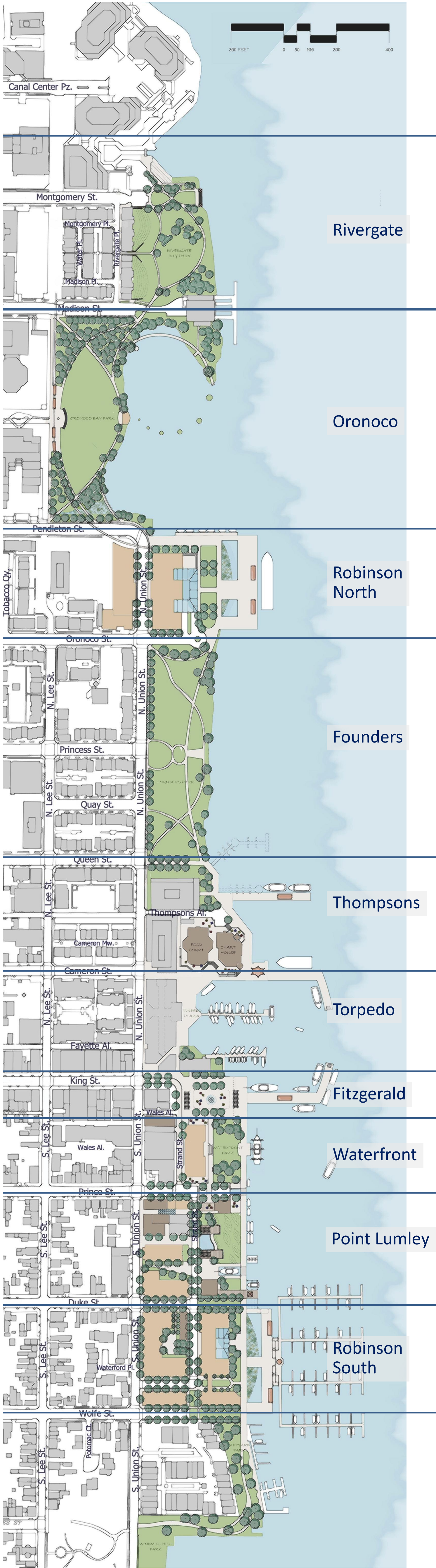
If one does the NPV analysis, the results are, when counting only direct net new tax revenues, that the Waterfront Plan pays for itself in about year 18. Although "underwater" on an NPV basis by \$11.7 million in year 15, the plan is \$8.2 million ahead by year 25 and \$17.5 million ahead by year 30. At the end of the day, the City's investment in the public elements of the Waterfront Plan produces a positive fiscal result. The Waterfront Plan can pay for itself.

An alternative analysis would be to include the \$6.5million (2011 dollars) in flood mitigation projects (which would have to be done even without the Waterfront Plan) into the above financial analyses. This increases the costs, but keeps the revenues unchanged. The results are that on a cash flow basis in today's dollars, and counting direct and not indirect benefits, the breakeven year on a cash flow basis increases to year 19. On a NPV basis the year 15 is negative by \$18.1 million, but by year 25 it has just passed breakeven and is positive by \$1.8 million and by year 30, it is positive by \$11.1 million.

In conclusion, using a conservative analysis, the economics in regards to return on financial investment in the Waterfront Plan are positive over the long-term using conservative, reasonable analyses and assumptions. If elements of the Plan are changed (such as dropping the civic building as a Plan element), or the mix of uses changes, or the level of redevelopment changes, then the results described above would

ALEXANDRIA WATERFRONT PLAN

Phasing Locations



Proposed Waterfront Park Building

The Waterfront Plan recommends constructing a building along the western edge of Waterfront Park to achieve the following objectives:

- A potential solution for the foot of King Street is to relocate the ODBC parking lot away from the water. A building in this location would both hide and pay for the parking lot.
- Waterfront Park is currently surrounded on three sides by parking, including the ground floor of the Strand building in the 100 block of South Union Street. The parking both hides the park and makes the park less inviting. A high-quality, well-designed building would increase the appeal of the park and attract more visitors, and provide “eyes on the park.” A more populated park feels safer, both night and day.
- A goal of the Plan is to link the activity of King Street to the Strand where redevelopment and a new park is planned.
- The building could incorporate elements of the flood mitigation strategy, including floodwalls and pumps.
- A restaurant could provide tax revenues sufficient for a very high level of maintenance in the new park area.
- It is important to remember that the Plan’s concept of a new Fitzgerald Square/Waterfront Park would *increase* the amount of park and public space at the foot of King Street.
- The main alternative to the restaurant building is a surface parking lot.

The draft Waterfront Plan includes two different options for a 33,000 square foot building; the City Council requested that staff look at a much smaller building. This document includes a proposal for an under-11,000 square foot building. In addition to being one-third the size of the original, the new proposed building has the following features:

- The new Waterfront Park building concept is approximately 60 feet in depth and 175 feet in length along The Strand, yielding around 10,500 square feet.
- Because the building would incorporate an existing strip of parking, the amount of existing parkland that would be used for the restaurant is reduced. The new building concept extends far less (by 35 feet) into the existing Waterfront Park than the previous design. The resulting Waterfront Park would extend 180 feet from shoreline to the walkway in front of the new building.
- As a result, the walkway in front of the new building lines up with the existing street (The Strand) to the south. This means that people walking toward King Street from Chadwick’s will not have their view blocked by a building.
- Parking to serve either the ODBC and/or new restaurant use could be provided at or below grade beneath the new building.
- The new concept is reduced in height and length so that it does not block most views from the existing Strand building. From Waterfront Park, the new building would mask the blank garage walls of the Strand building and about 8 feet (non-windowed) of the

new Virtue restaurant. The building would not block views to and from Wales Alley, and would allow a view of the majority of Waterfront Park from King Street.

- The new building concept is only one story in height and the exterior façade of the building, with exception of two gable elements, is only 14 feet high above the adjacent walkway fronting Waterfront Park, and steps back to a maximum height of 18 feet at the roof parapet. This lower height mitigates any potential view blocking of rear-facing tenants of the adjacent buildings.
- The conceptual design is one of a largely glass structure, taking architectural cues from the George Washington-designed “Orangery” or greenhouse at Mount Vernon, to create a low-slung market style building which activates Waterfront Park.
- The building’s design creates a large roof top space suitable for seasonal outdoor dining, offering panoramic views of the Potomac River.
- The building’s conceptual architecture and design respect the rear façade of the existing 210 South Union Street building, by maintaining a low height below functional window space, and incorporating thematic relation to that building’s architectural style. Sloped glazing echoing the glass mansard, divided light window openings, semi-circular arches, and other materials and detailing ensure compatibility with the 210 South Union Street building.

